



DEPARTMENT OF THE NAVY

NAVAL FACILITIES ENGINEERING COMMAND
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IN REPLY REFER TO
ACQ 024
22 April 1998

From: Commander, Naval Facilities Engineering Command
To: Distribution

Subj: USE OF CONTRACTOR PAST PERFORMANCE INFORMATION IN SOURCE
SELECTION (13-98)

Encl: (1) OASN (RD&A) memo of 13 Mar 98

1. The purpose of a past performance assessment is to evaluate a contractor's history of performance and determine the degree of risk associated with contract performance. There is no single best method for using past performance information (PPI) in source selections. The Source Selection Authority (SSA) should be given maximum latitude to focus on those specific areas of contractor performance that will provide the best predictors of successful performance of the instant acquisition. Always remember, there is no substitute for sound business judgment in the source selection process.
2. Enclosure (1) outlines some areas to be considered in developing plans for use of PPI in source selections, and identifies several useful sources for additional guidance.
3. It should be noted that FAR Part 15 states that the Government will not rely on adverse past performance information that contractors have not had an opportunity to comment on and establishes revised thresholds for collection and use of past performance. The rule also expands the coverage regarding what information can be considered for those contractors with no relevant past performance history, to include key personnel who have relevant experience, information regarding predecessor companies, and subcontractors who will perform major or critical aspects of the requirement.

A handwritten signature in black ink, appearing to read "Michael F. Howard".

MICHAEL F. HOWARD
Director, Strategic Operations

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MAR 13 1998


MEMORANDUM FOR DISTRIBUTION

Subj: USE OF CONTRACTOR PAST PERFORMANCE
INFORMATION IN SOURCE SELECTION

Ref: (a) ASN(RD&A) Memo of 2 Feb 98, Implementation of
Contractor Performance Assessment Reporting System
(CPARS)

Encl: (1) Considerations in the Use of Past Performance
Information in Source Selection

By reference (a), the Assistant Secretary of the Navy (Research, Development & Acquisition) issued the Department of the Navy (DoN). Contractor Performance Assessment Reporting System (CPARS) guide for immediate implementation. The DON CPARS guide addresses the *collection* of past performance information. We do not intend to issue similar direction for the *use* of past performance information. Instead, enclosure (1) outlines some areas to be considered in developing your plans to use past performance information in source selections, and identifies several useful sources of additional guidance.


Richard T. Ginman
RADM, SC, USN
Deputy for Acquisition and
Business Management

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Considerations in the Use of Past Performance Information in Source Selection

The purpose of this document is to outline considerations in the use of past performance information (PPI) in source selection. The purpose of a past performance assessment is to evaluate a contractor's history of performance and determine the degree of risk associated with contract performance. The Source Selection Authority (SSA) must determine and document how the PPI will be used. There is no single best method for using PPI in source selections. Instead, as each source selection must stand on its own merits, the SSA must tailor the method of using PPI to the particular circumstances of the source selection at hand. The SSA should be given maximum latitude to focus on those specific areas of contractor performance that will provide the best predictors of successful performance of the instant acquisition. Always remember, there is no substitute for sound business judgment in the source selection process.

It is important to keep in mind the difference between performance risk and proposal risk. Proposal risk is associated with an offeror's proposed approach in meeting the Government's requirements and may be integrated into the analysis of each specific evaluation subfactor. Performance risk is associated with an offeror's likelihood of success in performing the Government's requirements as indicated by that offeror's record of past performance.

It is also important to remember the difference between a past performance assessment and a responsibility determination. A responsible prospective contractor is a contractor that meets the following standards: has adequate financial resources to perform; is able to comply with the delivery or performance schedule; has a satisfactory performance record; has a satisfactory record of integrity and business ethics; has the necessary experience, skills, organization and ability to perform; has access to the necessary resources; and is otherwise qualified and eligible to receive an award (FAR 9.101 and 9.104). In short, responsibility is a concept that addresses whether a contractor has the capability to perform a particular contract. A past performance evaluation during the source selection process seeks to identify the degree of risk associated with competing offerors, thereby permitting a comparative assessment of the offers. Rather than identifying whether an offeror can do the work, a past performance evaluation determines the degree of confidence the Government has in the offeror's likelihood of success. If properly conducted, the past performance evaluation and the responsibility determination will complement each other and provide a more complete picture of an offeror than either could alone.

Enclosure (1)

Sources of Contractor Past Performance Information:

DoN CPARS: The Department of the Navy (DoN) Contractor Performance Assessment Reporting System (CPARS) provides an assessment of the on-going performance of contractors. Each report in the CPARS consists of a narrative assessment by the program or project manager, the contractor's comments, if any, relative to the assessment, and the reviewing official's acknowledged consideration and reconciliation of significant discrepancies between the program manager's assessment and the contractor's comments. The primary purpose of the CPARS is to provide a data base of contractor performance information that is current and available for use in source selections. The CPARS is used to communicate strengths and weaknesses of a contractor's performance to source selection officials. The CPARS applies to the Systems, Services, Information Technology, and Operations Support business sectors. The other business sectors have established PPI collection systems.

Questionnaires: A standardized questionnaire may be used to obtain information on relevancy and performance from contracting officers, program managers, and the cognizant contract administration office. It provides the most current information for use on the instant procurement. Typically, the questionnaires are mailed to the attention of the contracting officer for each contract, with a specified response date.

Interviews: If the completed questionnaires are not returned by the contracting officer or program manager, you may need to follow-up with a telephone interview. You should also use telephone interviews to fill in any missing or questionable information from CPARS, or the questionnaires.

Commercial Data: It may be necessary to include non-governmental sources such as contractor provided references or Dun and Bradstreet.

Other Considerations

Considering the Age of PPI. Consideration should be given to the age of PPI used in making source selection decisions. Ordinarily, older PPI should be given less weight than more recent PPI. The contractor's performance may have improved substantially, or may have deteriorated, because of changes in technology, facilities, management, etc. On the other hand, analyses that include older as well as recent PPI data may identify trends in the contractor's performance that are strong indicators of risk associated with future performance of contracts. Source selection officials should therefore consider the need to appropriately weight older PPI, but also properly accept its value when used in trend analyses that extend through recent periods of performance.

Considering the Relevance of PPI. Consideration should be given to the relevance of PPI used in source selection decisions. PPI relating to the recent or ongoing production of a transport aircraft, for example, would be very relevant for the source selection for production of a new transport aircraft of similar range, payload, etc. However, this type of direct comparison between past and future performance may not always be possible. There are often substantial periods of

time between the end of production of a system or item and the start of production for its replacement, and over time, there may be substantial changes in the necessary capabilities, product technologies, production processes, facilities or equipment. When considering the relevance of PPI, source selection officials should take into account the nature of the business area(s) involved, the required levels of technology (e.g., was state-of-the-art required or not), the contract types, the similarity of materials and production processes. Source selection officials should also be alert to the possibility that some PPI that does not initially appear to be relevant actually is (e.g., a contractor's technical quality performance record for producing automotive components would be very relevant to producing aircraft components, if the materials and production processes are similar), or, conversely, that some PPI that initially appears relevant actually is not (e.g., the cost control performance by a contractor that has never performed contracts requiring state-of-the-art technology is probably not very indicative of cost control performance on future contracts requiring state-of-the-art).

Lowest Price Technically Acceptable Source Selection (LPTA).

Past performance is a mandatory evaluation element in all negotiated source selections meeting the established dollar thresholds. If the source selection team determines it is a discriminator in an LPTA procurement, then the criteria by which past performance will be evaluated on a pass/fail basis must be articulated in the solicitation. The team can also determine that past performance is not a discriminator and document the record accordingly. One caution regarding the use of past performance on a pass/fail basis is articulated in FAR part 15. If a small business' past performance is not acceptable, and their technical proposal is otherwise acceptable, the matter shall be referred to the Small Business Administration for a Certificate of Competency determination.

Contractors Without a Record of Relevant Past Performance Information.

The reference to neutral ratings was removed from the FAR Part 15 final rule in recognition of the dilemma encountered by both industry and Government in defining the term neutral. The language in the final rule is extracted directly from statute stating, "In the case of an offeror without a record of relevant past performance or for whom information on past performance is not available, the offeror may not be evaluated favorably or unfavorably on past performance." It is incumbent upon each source selection authority to construct the past performance source selection criteria for each particular requirement to conform with the statutory direction.

Adverse Past Performance Information.

FAR part 15 states that the Government will not rely on adverse past performance information that contractor's have not had an opportunity to comment on and establishes revised thresholds for collection and use of past performance. The rule also expands the coverage regarding what information can be considered for those contractors with no relevant past performance history, to include key personnel who have relevant experience, information regarding predecessor companies, and subcontractors who will perform major or critical aspects of the requirement.

Other Sources of Guidance on the Use of Past Performance Information

The Joint Aeronautical Commanders Group
(JACG) Performance Risk Assessment Group
(PRAG) desk guide

<http://www.abm.rda.hq.navy.mil/bpgpp.html>
<http://www.asc.wpafb.af.mil/az/jacg/products/conperf.htm>

Office of Federal Procurement Policy
(OFPP) Guide to Best Practices for
Past Performance

<http://www.abm.rda.hq.navy.mil/bpgpp.html>
<http://www-far.npr.gov/BestP/BestPract.html>

Defense Acquisition Deskbook

<http://www.deskbook.osd.mil>